

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 07-____-E ORDER NO. 07-____

August __, 2007

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SC PUBLIC SERVICE
COMMISSION

IN RE: APPLICATION OF SOUTH)
CAROLINA ELECTRIC & GAS COMPANY FOR)
AUTHORITY TO ISSUE AND SELL FROM TIME)
TO TIME NOT EXCEEDING \$525,000,000)
AGGREGATE PRINCIPAL AMOUNT OF FIRST)
MORTGAGE BONDS AND TO ISSUE AND SELL)
NOT EXCEEDING 4,800,000 SHARES OF)
PREFERRED STOCK)

ORDER AUTHORIZING ISSUANCE
AND SALE OF FIRST MORTGAGE
BONDS AND PREFERRED STOCK

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of an Application to issue securities filed on July 19, 2007, by South Carolina Electric & Gas Company (the "Company" or "SCE&G"). The Application was filed pursuant to S.C. Code Ann. §58-27-1710 (Supp. 2006). A copy of SCE&G's draft Registration Statement for the securities was filed as Exhibit A to the Application.

SCE&G proposes to issue and sell from time to time not exceeding Five Hundred Twenty-Five Million Dollars (\$525,000,000) aggregate principal amount of its First Mortgage Bonds (the "New Bonds") in one or more series pursuant to the Indenture dated as of April 1, 1993, as supplemented (the "SCE&G Indenture"), between SCE&G and The Bank of New York, successor to NationsBank of Georgia, National Association, as trustee (the "SCE&G Trustee"). The application for authority to issue and sell not exceeding Five Hundred Twenty-Five Million Dollars (\$525,000,000) principal amount of New Bonds is incremental to the authority, granted by the Commission in previous orders, to the Company to issue and sell its First Mortgage Bonds.

SCE&G also proposes to issue up to 4,800,000 shares of its Preferred Stock ("New Preferred Stock").

The New Bonds will be secured primarily by the lien of the SCE&G Indenture upon substantially all of the electrical generation, transmission and distribution properties of SCE&G as described in the granting clauses of the SCE&G Indenture. Reference is made to "Description of the First Mortgage Bonds" in the form of Preliminary Prospectus in the Registration Statement. (SCE&G Indenture Section 302) New Bonds may be issued on the basis of unfunded property additions equal to ten-sevenths of the aggregate principal amount of such additional New Bonds (SCE&G Indenture Article IV), retirement credits (SCE&G Indenture Article V), or cash equal to the aggregate principal amount of such New Bonds (SCE&G Indenture Article VI).

The terms of each series of the New Bonds will be negotiated and will have such call and redemption provisions as may be determined at the time of sale of the New Bonds.

As stated in the Registration Statement and in the Application, SCE&G will use the net proceeds from the sale of the New Bonds, together with other funds of SCE&G, for general corporate purposes, including the financing of the SCE&G's construction program and nuclear fuel expenditures (including amounts for construction of base load generation), the reduction of short-term indebtedness and to refinance securities.

SCE&G plans to offer one or more series of the New Bonds either through underwriters or dealers, through agents, or directly to a limited number of purchasers or to a single purchaser.

SCE&G states that negotiations at market with the purchaser or purchasers, to be concluded shortly before the offering of each series of the New Bonds, will determine the interest

rate to be borne by, the maturity date of, the initial offering price of, the price to be paid to SCE&G for, the call provisions of, any underwriting or purchase discount (i.e., the difference between the initial offering price and the price paid by the purchaser or underwriter to SCE&G) with respect to, and the redemption prices of, each series of the New Bonds. Based on market conditions, SCE&G believes that the initial offering price usually will not be less than 97% nor more than 102% of the principal amount of such series of New Bonds (except in the case of original discount bonds sometimes known as "zero coupon bonds"), that any underwriting discount will not exceed 1.5% of the principal amount of such series of the New Bonds, that the initial regular redemption price, will not exceed 100% of the principal amount of such series of the New Bonds plus a make whole amount (yield maintenance payment) if any (except in the case of original discount bonds sometimes known as "zero coupon bonds"). SCE&G has requested authority to negotiate the most favorable interest rate and terms obtainable on the date each series of the New Bonds is priced including, if appropriate, terms, prices and redemption provisions appropriate for original discount securities sometimes known as "zero coupon bonds." Sales of each series of the New Bonds will be made from time to time when market conditions, in the judgment of SCE&G, are favorable.

SCE&G also proposes to offer for sale not exceeding 4,800,000 shares of New Preferred Stock bearing cumulative or non-cumulative dividends and subject to the payment of preferred amounts upon liquidation, as market conditions dictate, and having no par value or such par value as SCE&G shall determine, by selecting and negotiating with a managing underwriter or underwriters for the sale.

As stated on the Registration Statement and the Application, SCE&G will use the net proceeds from the sale of the New Preferred Stock to finance or refinance the retirement or discharge of all or part of various classes of the Company's cumulative preferred stock (the "Old Preferred Stock") and for general corporate purposes, including the financing of the SCE&G's construction program and nuclear fuel expenditures (including amounts for construction of base load generation), the reduction of short-term indebtedness and to refinance other securities. SCE&G expects to offer the New Preferred Stock to the public at an initial offering price per share of no more than \$28 and no less than \$22. The public offering price may be changed by the underwriter after the initial public offering. The New Preferred Stock will have a dividend rate not to exceed 8% and a liquidation preference of up to \$25 per share plus accrued and unpaid dividends. The New Preferred Stock will be subject to redemption at the option of SCE&G at the times and at such prices as are determined based upon market conditions at the time of sale. It is anticipated that for a period of at least eight years SCE&G will not be able to redeem, without payment of a make-whole amount, the New Preferred Stock at its option. The redemption price will in no event exceed \$27 per share plus any make-whole amount and accrued and unpaid dividends at the time of redemption. The underwriting commission will not exceed 3.15% of the price to the public of the New Preferred Stock sold.

After investigation by the South Carolina Office of Regulatory Staff and upon full consideration by the Commission, the Commission is of the opinion, and so finds, that the matters set forth in the Application and the exhibits thereto are proper; that the purpose of the proposed issues of New Bonds and New Preferred Stock and the proposed use of the proceeds of

the New Bonds and New Preferred Stock are proper; that the proposal to issue the New Bonds in one or more series, from time to time, as market conditions appear favorable, is reasonable and proper; that the issuance of New Preferred Stock from time to time, as market conditions appear favorable, is reasonable and proper. Finally, the Commission finds that the determination by SCE&G of the appropriate time or times to offer and sell the New Bonds and the New Preferred Stock is reasonable and proper.

IT IS THEREFORE OFFERED, ADJUDGED AND DECREED:

1. That SCE&G be, and it hereby is, authorized to issue and sell at such time or times as in the judgment of SCE&G may be favorable, in one or more series, not exceeding Five Hundred Twenty-Five Million Dollars (\$525,000,000) aggregate principal amount of New Bonds due not later than thirty-five (35) years from the respective date of issue of each such series, at such price or prices, with such redemption provisions and at such interest rate or rates (in the case of bonds other than original discount or "zero coupon bonds") as may be negotiated with the purchaser or purchasers of the New Bonds of any series in connection with the offering thereof.

2. That SCE&G is authorized to issue any series of New Bonds in either of the following ways: (i) through underwriters or dealers; (ii) directly or to a limited number of purchasers or to a single purchaser; or (iii) through agents.

3. That if necessary in connection with the issue and sale of a series of New Bonds, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver one or more indentures supplemental to the SCE&G Indenture.

4. That in connection with the issuance and sale of any series of the New Bonds through underwriters or dealers, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver an underwriting agreement in such form as may be reasonably necessary to consummate the proposed transaction, and that in connection with the issuance and sale of any series of the New Bonds in a private placement or through agents, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver a sales agreement in such form as may be reasonably necessary to consummate the particular transaction.

5. That SCE&G is authorized to use the net proceeds of the sale of each series of New Bonds, solely or with other corporate funds in any case, for general corporate purposes, including the financing of the SCE&G's construction program and nuclear fuel expenditures (including amounts for construction of base load generation), the reduction of short-term indebtedness and to refinance securities.

6. That SCE&G be, and it hereby is, authorized to issue and sell at such time or times as in the judgment of SCE&G may be favorable, not exceeding 4,800,000 shares of the New Preferred Stock, pursuant to the terms and conditions described in the Application and as may be negotiated with the purchaser or purchasers thereof, and to execute and deliver an underwriting agreement in such form that may be reasonably necessary to consummate the proposed transaction.

7. That SCE&G is authorized to use the net proceeds of the sale of the New Preferred Stock to finance or refinance the retirement or discharge of all or part of the Old Preferred Stock and for general corporate purposes, including the financing of the SCE&G's

construction program and nuclear fuel expenditures (including amounts for construction of base load generation), the reduction of short-term indebtedness and to refinance other securities.

8. That SCE&G file conformed copies of each indenture supplemental to the SCE&G Indenture and any underwriting agreement and/or sales agreement entered into in connection with the issuance and sale of each series of the New Bonds or the New Preferred Stock, within thirty (30) days after closing the transaction related to each series, and such other information as may be required by provisions of Order No. 91-72, dated January 18, 1991, Docket No. 91-032-E.

9. Approval of the Application does not bind the Commission as to the ratemaking treatment of this issuance.

10. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

11. The Commission strongly encourages SCE&G to carry out the financial transactions in such a manner as to attempt to minimize possible negative impacts that could be harmful to ratepayers.

12. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

ATTEST:

G. O'Neal Hamilton, Chairman

Robert C. Moseley, Vice Chairman
(SEAL)